

Order 2002-7-33  
Served: July 25, 2002



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 25<sup>th</sup> day of July, 2002

Essential Air Service at

**Pelican, Alaska  
Elfin Cove, Alaska**

under 49 U.S.C. 41731 *et seq.*

**Docket OST-2002-11586**

**ORDER SETTING INTERIM SUBSIDY RATE**

**Summary**

By this order, the Department is setting an interim subsidy rate for Alaska Seaplane Service's "hold-in" service at Pelican and Elfin Cove, Alaska, until further Department action.

**Background**

On February 13, 2002, Alaska Seaplane Service, LLC (Alaska Seaplane), filed a 90-day notice of its intent to suspend its unsubsidized service at Pelican and Elfin Cove, Alaska, effective on or about May 13, 2002. By Order 2002-5-13, May 14, 2002, the Department prohibited the carrier from suspending service at the communities for an initial 30-day period, and requested proposals, with subsidy if necessary, from carriers interested in providing replacement service. As required by 49 U.S.C. 41734, we have extended Alaska Seaplane's service obligation for additional 30-day periods.<sup>1</sup>

Under 49 U.S.C. 41734, if an air carrier is required to provide basic essential air service to an eligible place after its 90-day notice period, it is eligible to receive compensation

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<sup>1</sup> The latest order extending the carrier's service obligation through August 14, 2002, is Order 2002-7-14, issued July 8, 2002. Additional orders will be issued further extending Alaska Seaplane's service obligation pending a final resolution to the case.

for such service. Alaska Seaplane service filed notice to suspend service at Pelican and Elfin Cove on February 13, 2002, and the end of the 90-day notice period was May 14, 2002. Thus, the carrier is eligible to receive compensation for hold-in service starting on May 15, 2002.

The staff and representatives of Alaska Seaplane have agreed to an interim annual subsidy of \$59,066 for service consisting of five round trips each week over a routing of Juneau-Pelican-Juneau; and one round trip each week over a routing of Juneau-Pelican-Elfin Cove-Juneau with seven-seat DeHavilland DHC-2 Beaver aircraft. This rate appears reasonable for the level of service to be provided. As an interim subsidy rate, it is subject to adjustment retroactive to May 15, and the final rate may be higher, lower or the same as the interim we are setting here.

This order is issued under authority assigned in 14 CFR 385.12(k)(5).

**ACCORDINGLY,**

1. The Department sets the interim rate of compensation for Alaska Seaplane Service, LLC, for the provision of essential air service at Pelican and Elfin Cove, Alaska, as described in Appendix A, for the period from May 15, 2002, until further Department action, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix A, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$87.38;<sup>2</sup>
2. The rate set by ordering paragraph 1 above is an interim rate subject to further adjustment retroactive to May 15, 2002. The final rate may be higher, lower or the same as the interim rate; and
3. We will serve a copy of this order on the Alaska Department of Transportation and Public Facilities, and Alaska Seaplane Service, LLC.

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<sup>2</sup> See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

Persons entitled to petition the Department for review of this order under the Department's Regulations, 14 CFR 385.50, must file such petitions within ten days after the date of service of this order.

This order will be effective immediately, and the filing of a petition for review shall not preclude its effectiveness.

**By:**

**RANDALL D. BENNETT**  
Director  
Office of Aviation Analysis

(SEAL)

*An electronic version of this document is available on the World Wide Web at  
<http://dms.dot.gov/search>*

**ALASKA SEAPLANE SERVICE  
ESSENTIAL AIR SERVICE TO BE PROVIDED AT  
PELICAN AND ELFIN COVE, ALASKA**

<u>Effective Period:</u>	May 15, 2002, until further Department action
<u>Service:</u>	Five round trips each week JUN-PEC-JUN One round trip each week JUN-PEC-ELV-JUN
<u>Aircraft:</u>	DeHavilland DHC-2 Beaver (7 passenger seats)
<u>Subsidy Rate:</u>	Per year - \$59,066 Per departure - \$87.38 <sup>3</sup>
<u>Weekly Compensation Ceiling</u>	\$1,135.94 <sup>4</sup>

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

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<sup>3</sup> Annual compensation of \$59,066, divided by the number of arrivals and departures estimated to be performed annually (676).

<sup>4</sup> The subsidy rate for each arrival/departure (\$87.38) multiplied by the number of scheduled subsidy-eligible flights per week (13).

**Alaska Seaplane Service  
Calculation of Subsidy Requirement  
at Pelican and Elfin Cove, Alaska**

Route: JNU-PEC and JNU-ELV

Total block hours: 843

Frequency: 6 round trips per week JNU-PEC

1 round trip per week JNU-ELV

Aircraft Type: DHC-2 Beaver

<b>Carrier's</b>	<b>Prorated</b>
<b>Total</b>	<b>for EAS</b>
<b>Service</b>	<b>Levels</b>
<b>(1382 flts)</b>	<b>(676 flts)</b>

<u>Operating Revenue</u>	<u>Rate</u>	<u>Amt./lbs.</u>	<u>Revenue</u>	
PEC Passenger	\$99.04	1,500	\$148,560	\$72,668
ELV Passenger	\$99.04	450	\$44,568	\$21,800
PEC Cargo	0.38	55,000	\$20,900	\$10,223
ELV Cargo	0.42	14,000	\$5,880	\$2,876
PEC Mail	0.72	70,000	\$50,400	\$24,653
EVL Mail	0.71	45,000	\$31,950	\$15,628
<b>Total Operating Revenue</b>			<b>\$302,258</b>	<b>\$147,848</b>

<u>Direct Operating Expense</u>		<u>Unit cost</u>	<u>Expense</u>	
Pilot & Copilot	\$72.88	\$1.10 per BH	\$67,582	\$33,057
Fuel & Oil	\$51.99	\$1.10 per BH	\$48,210	\$23,582
Maintenance	\$120.63	\$1.10 per BH	\$111,860	\$54,716
Depreciation & Rental	\$22.77	\$1.10 per BH	\$21,115	\$10,328
Other	\$24.56	\$1.10 per BH	\$22,774	\$11,140
<b>Total DOE</b>			<b>\$271,541</b>	<b>\$132,823</b>

<u>Indirect Operating Expense</u>				
Traffic Related	\$15.19	\$1.10 DEP	\$23,092	\$11,295
Departure Related	\$48.56	\$1.10 DEP	\$73,821	\$36,109
Capacity Related			\$34,414	\$16,833
<b>Total IOE</b>			<b>\$131,326</b>	<b>\$64,238</b>

<b>Total Operating Expense</b>	<b>\$402,868</b>	<b>\$197,061</b>
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<b>Operating Loss</b>	<b>\$100,610</b>	<b>\$49,213</b>
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<b>Profit element @ 5 percent of Total Operating Expense</b>	<b>\$20,143</b>	<b>\$9,853</b>
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<b>Compensation Requirement</b>	<b>\$120,753</b>	<b>\$59,066</b>
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<b>Subsidy per flight (676 annual flights)</b>	<b>\$87.38</b>
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<b>Ceiling per week (13 flights)</b>	<b>\$1,135.94</b>
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